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Grain and Feed

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Report Highlights:
Australia's 2003/04 grain crops are expected to rebound sharply from the drought-reduced levels registered in 2002/03. Wheat production in 2003/04 is projected at 24 MMT, the second highest level on record and 14 MMT higher than in 2002/03. Attaining these 2003/04 production forecasts is contingent on a continued breakdown in the dry weather pattern that has characterized much of the Australian continent for over one year. Particularly critical will be precipitation over the next month or two that will be necessary for planting and establishing the 2003/04 winter grain crop. Higher expected grain availability in 2003/04 will allow grain stocks and exports to rise sharply from the levels that characterized 2002/03.

Includes PSD changes: Yes
Includes Trade Matrix: No
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SECTION I: SITUATION AND OUTLOOK

A marked improvement is forecast for Australia's grain production in 2003/04, following the drought-reduced 2002/03 harvests. Sharply higher production is forecast in 2003/04 for winter-grown wheat and barley and summer-grown sorghum and rice. The winter-grown grain crops will be sown beginning in April/May 2003 and the summer-grown crops beginning in November 2003.

Forecasted output for Australia's winter and summer-grown grain crops in 2003/04 assume that there will be a break to the current severe drought and a return to more normal rainfall conditions. Widespread rains of late across much of eastern Australia is a possible indicator that the extended dry weather pattern that has characterized most major grain producing areas in Australia is breaking down. Producers across Australia are anxiously waiting to see if a wet February continues into the fall planting season. Follow-up rains are desperately needed. Last year, February was also wet, but the rains failed to persist into the planting and growing season. Assuming rainfall does return to a more normal pattern, area planted to grain crops is expected to expand sharply in 2003/04. A significant sell-off of livestock due to the drought and favorable grain prices is expected to result in producers turning to crops to improve their incomes in the short term.

In March 2003, Australia's Bureau of Agriculture and Resource Economics (ABARE) projected the area sown to winter crops in 2003/04 to rise about 12 percent from last season to a total of 20.5 million hectares. ABARE expects winter crop production in 2003/04 to total about 37 MMT, up from the 16 MMT produced during the drought-reduced 2002/03 season. The absolute level and relative mix of crops during the 2003/04 winter season will be critically dependent on rainfall leading up to planting season. Over the past five years, about 60 percent of winter crop area has been sown to wheat, 16 percent to barley, 7 percent to canola and 9 percent to pulses.

The 2002/03 season was a dismal one for most of Australia's grain growers, with the most widespread drought since at least 1982/83. However, the prior two growing seasons were characterized by well above-average returns to crop producers, including the near-record farm cash income which characterized the 2001/02 season. This places Australian grain growers in relatively good financial position to expand plantings in 2003/04, despite the severe 2002/03 drought. Alternative, competing agricultural enterprises, such as sheep, will take some time to bounce back from the drought, which, in the short-term, will favor crop plantings. ABARE reports that if rains arrive late, area sown to wheat and barley in 2003/04 could rise at the expense of canola and pulses, as grain crops generally have a shorter growing season and do better in unfavorable conditions.

Australia's wheat producers are expected to face lower wheat prices during the upcoming 2003/04 season. ABARE projects wheat prices (net pool return) for 2003/04 at an average of A$234/MT, about 12 percent below the relatively high average price that characterized the 2002/03 season. A recent strengthening in the Australian dollar will likely trim local currency proceeds for wheat exports, which will dampen returns to growers. The Australian dollar has climbed from about A$0.52 per US$ in March 2002 to the current A$0.61, which alone shaves about A$30-40 per MT off the A$ return for exported wheat.

As for winter crops, production of summer crops in 2003/04 is also expected to rebound from the drought-reduced levels of 2002/03. Again, this rebound is contingent on a return to more normal rainfall levels, which will be needed to recharge soil moisture and/or boost irrigation water supplies. Rice and sorghum are Australia's most significant summer grain crops.

Australia's grain exports in 2003/04 are expected to rise sharply from the low levels experienced in 2002/03, but will remain below the export level of 2001/02. Despite the large expected grain crops in 2003/04, a rebuilding of domestic stocks and continued high levels of domestic consumption will combine to partially constrain the quantity of grain exported. Australia will have to address rebuilding traditional wheat export markets that were inadequately serviced in 2002/03, given substantially reduced domestic availabilities. In addition, competitors made inroads in some of Australia's traditional markets in 2002/03, including some by the "new", "non-traditional" wheat exporters.

High prices and domestic feed grain shortages, that have characterized the 2002/03 season, are expected to dissipate as grain from the upcoming summer crop harvest becomes available and feed grain demand abates somewhat. Although most of the summer-grown feed grain crop will remain in country, an incentive to import feed grain is expected to persist until winter crop grains begin to be harvested at the end of 2003. In 2003, Australia is expected to import about 500 TMT of feed grains, of which about 150 TMT has already arrived in country.

Over the last ten years, there have been significant shifts of resources out of sheep and into cropping. ABARE expects that over the next five or six years, the area dedicated to grain and other crops will be maintained or increase somewhat from that experienced prior to the 2002 drought. This projection reflects large on-farm investment in grain growing equipment and infrastructure in recent years and prospects for continued relatively good returns from grains. Favorable wool prices over the medium term should provide the incentive for some resource movement back to sheep and wool production, halting or reversing the recent trend out of sheep and acting to constrain growth in area planted to grain.

According to ABARE projections, wheat area and production are expected to trend downward somewhat from 2003/04 through to 2007/08. Perhaps too optimistic given the wheat production forecast, wheat exports are projected to grow over this same period, reaching 17.8 MMT in 2007/08.

SECTION II: STATISTICAL TABLES

PSD Table						
Country	Australia					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	12500	11597	10300	11031	0	12456
Beginning Stocks	5223	4308	6414	7431	2364	2273
Production	24000	24854	10000	10000	0	24000
TOTAL Mkt. Yr. Imports	75	0	150	350	0	150
Jul-Jun Imports	75	0	150	250	0	250
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	29298	29162	16564	17781	2364	26423
TOTAL Mkt. Yr. Exports	16409	16304	7000	7900	0	15900
Jul-Jun Exports	16494	16406	9000	8000	0	15500
Feed Dom. Consumption	3450	2700	4200	4850	0	4255
TOTAL Dom. Consumption	6475	5427	7200	7608	0	6555
Ending Stocks	6414	7431	2364	2273	0	3968
TOTAL DISTRIBUTION	29298	29162	16564	17781	0	26423

PSD Table						
Country	Australia					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		11/2001		11/2002		11/2003
Area Harvested	3700	3724	3000	3092	0	3474
Beginning Stocks	783	775	1183	1700	483	655
Production	7500	8423	3500	3500	0	6635
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	8283	9198	4683	5200	483	7290
TOTAL Mkt. Yr. Exports	3700	4398	1000	1400	0	2500
Oct-Sep Exports	3700	4300	1000	1500	0	2450
Feed Dom. Consumption	2200	2200	2200	2200	0	2000
TOTAL Dom. Consumption	3400	3100	3200	3145	0	3200
Ending Stocks	1183	1700	483	655	0	1590
TOTAL DISTRIBUTION	8283	9198	4683	5200	0	7290

PSD Table						
Country	Australia					
Commodity	Sorghum				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		03/2002		03/2003		03/2004
Area Harvested	773	852	500	483	0	800
Beginning Stocks	105	100	82	95	82	35
Production	1777	2123	1000	1000	0	2048
TOTAL Mkt. Yr. Imports	50	0	0	0	0	0
Oct-Sep Imports	0	0	50	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1932	2223	1082	1095	82	2083
TOTAL Mkt. Yr. Exports	400	426	25	60	0	502
Oct-Sep Exports	525	300	75	200	0	400
Feed Dom. Consumption	1400	1699	925	987	0	1474
TOTAL Dom. Consumption	1450	1702	975	1000	0	1477
Ending Stocks	82	95	82	35	0	104
TOTAL DISTRIBUTION	1932	2223	1082	1095	0	2083

PSD Table						
Country	Australia					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		03/2002		03/2003		03/2004
Area Harvested	151	150	50	46	0	125
Beginning Stocks	442	429	674	474	309	151
Milled Production	930	911	315	286	0	787
Rough Production	1301	1274	441	400	0	1101
MILLING RATE (.9999)	7150	7150	7150	7150	0	7150
TOTAL Imports	55	52	50	52	0	60
Jan-Dec Imports	55	52	50	52	0	60
Jan-Dec Import U.S.	0	1	0	0	0	0
TOTAL SUPPLY	1427	1392	1039	812	309	998
TOTAL Exports	375	558	350	301	0	378
Jan-Dec Exports	350	558	300	320	0	350
TOTAL Dom. Consumption	378	360	380	360	0	360
Ending Stocks	674	474	309	151	0	260
TOTAL DISTRIBUTION	1427	1392	1039	812	0	998

SECTION III: NARRATIVE ON SUPPLY & DEMAND, POLICY & MARKETING

Wheat

Area

Wheat area for the up-coming 2003/04 season is forecast to rise 13 percent to 12.5 million hectares. If achieved, this would represent the second largest wheat area of all time, behind only the 12.9 million hectares estimated by ABARE for the 1983/84 season. Post assumes a return to a more normal weather pattern in the lead-up to planting; the all time record prices received on-farm for recently harvested wheat crop has also been factored in. Many industry sources characterize planting intentions for the 2003/04 season as "wall-to-wall wheat". Historically low sheep inventories should not provide increased competition for grain area in 2003/04.

Post's area forecast for 2003/04 is contingent on a retun to more normal weather conditions. A continuation of the long-term drought conditions into the crucial planting phase (April to May 2003) would likely result in lower than forecast wheat area and production for 2003/04. A recent abrupt change in weather patterns across much of eastern Australia has provided rain to many cropping areas and likely indicates a break to the extended dry weather pattern and a return to more normal weather conditions. Soil moisture levels are still well below average and more normal precipitation will need to persist for the remainder of the crucial planting phase to maintain the current crop outlook.

Wheat area for 2002/03 is estimated at 11.0 million hectares, down five percent on the previous year and equal to ABARE's current estimate. New South Wales, Victoria and Queensland turned in a significantly smaller area compared to the previous year due to drier than normal conditions during the crucial planting phase. Despite these negative conditions, historically high prices at time of sowing provided a significant incentive to plant wheat. Post has also taken into consideration an estimated decline in sheep numbers which represents reduced competition for land by livestock industries.

Wheat planted area for the 2001/02 season is estimated at 11.6 million hectares, in-line with the latest Australian Bureau of Statistics (ABS) release. The Australian Bureau of Agriculture and Resource Economics (ABARE) lowered its wheat area figure for 2000/01 in their February 2003 Crop Report and is now in-line with the ABS. Of note, the new ABS and ABARE wheat area figure for 2001/02 is about one million hectares below the previous estimate.

Production

Fueled by the sharp rise in expected wheat area, wheat production for 2003/04 is forecast to increase to 24.0 MMT, 14 MMT, or 140 percent, higher than the drought-reduced 2002/03 harvest. If achieved, this would be the third largest crop on record according to ABARE's historical data set. Post's forecasted wheat yield of 1.93 MT/ha, is slightly under ABARE's five year average. Post's forecast takes into consideration the drier than average soil moisture levels leading up to the crucial planting phase.

Post estimates wheat production for 2002/03 at 10.0 MMT, unchanged the previous update (AS3005, 3/3/03) and the smallest wheat harvest since 1994/95. However, this 10.0 MMT estimate remains higher than ABARE's estimate, which is now just under 9.4 MMT. Post believes this estimate is too low -- ABARE has a fairly consistent track record of under estimating the domestic crop, only to revise the estimates upward as time goes by. (Note ABARE's recent changes in the 2001/02 wheat production estimates, discussed later.)

Wheat receivals are believed to provide a relatively poor indication of production levels for the 2002/03 crop. Higher on-farm prices offered by private traders directed grain away from traditional marketing channels, increasing the difficulty of estimating the size of the crop by reviewing receivals data. Furthermore, many crop/livestock farms have fed out significant quantities of grain to livestock on-farm during 2002/03.

Post estimates wheat production for 2001/02 at a record 24.9 MMT. This estimate is in-line with the latest ABS figure. ABARE revised its 2001/02 wheat production estimate upward by about one million tons in the February 2003 Crop Report and is now in-line with the ABS release.

According to ABARE's longer-term forecasts, wheat production will fall steadily from 24.0 MMT in 2004/05 to 23.3 MMT forecast for 2007/08.

Consumption

Wheat consumption in 2003/04 is forecast to fall 14 percent to 6.6 MMT. An expected return to more normal weather conditions and a subsequent improvement in pasture conditions is expected to dramatically decrease the numbers of cattle on feed and somewhat abate on-farm feeding of grain. However, domestic consumption of wheat for feed in 2003/04 is expected to remain at relatively high levels due to persistent feed grain shortages expected to continue until the harvest of the 2003/04 winter crop. If drought conditions continue into 2003/04, however, feed consumption could remain at the high levels experienced during 2002/03.

Wheat consumption in 2002/03 is estimated at 7.6 MMT, 40 percent higher than the previous year. Post has adopted ABARE's recently revised consumption figure (February 2003) and has added 350 TMT of imported wheat which was not accounted for by ABARE. Drought conditions and associated poor pasture availability pushed the number of cattle on feed in 2002/03 to record levels, with domestic consumption of wheat for feed nearly doubling to an expected 4.85 MMT. Large amounts of grain have also been fed to livestock on-farm, as crops/livestock farmers in some areas have been forced to provide supplementary feed for livestock to compensate for deteriorating pasture conditions.

Wheat for human and industrial use in 2002/03 is projected at about 2.25 MMT, while about 500 TMT of wheat is expected to go for seed use. In 2001/02, an estimated 2.7 MMT of wheat was fed, about 2.2 MMT was for human and industrial use and 500 TMT went for seed.

Stocks

Wheat ending stocks for 2003/04 are forecast to recover to 4.0 MMT, a level more representative of the long term average for Australia. This forecast is contingent upon a large 2003/04 crop, which will allow depleted wheat inventories to be replenished.

Ending stocks for 2002/03 are projected at 2.3 MMT, only one third of the ending stock figure for the previous year. Greatly reduced 2002/03 wheat production, record domestic consumption, and a relatively high export volume dramatically reduced wheat stocks during 2002/03.

Ending stocks for 2001/02 are estimated at 7.4 MMT, roughly in-line with ABARE's most recent figures. A record 2001/02 harvest and a higher proportion of lower grade wheat not suitable for export contributed to this high stock level.

Much of Australia's wheat stocks are controlled by the Australian Wheat Board Ltd. (AWB Ltd.), and information on these figures is not freely available. Industry and government are now in the process of trying to improve estimates of wheat stocks, both in commercial stores and on-farm, in order to gain a better understanding of national stock levels.

Exports

Official export figures for wheat are unavailable. Post typically uses ABARE figures as the basis for estimates of wheat exports, particularly for the historical series.

Post forecasts Australia's wheat exports to rise to around 15.9 MMT in MY 2003/04 (Oct-Sep), reflecting the improved 2003/04 wheat crop and representative of the longer term average. This export forecast remains well above ABARE's 14.5 MMT as post believes falling numbers of cattle on feed in 2003/04 will increase the availability of grain for export.

Post projects exports for MY 2002/03 to fall to 7.9 MMT, down from the 16.1 MMT achieved in the previous year. The sharp downturn in wheat exports is due to sharply reduced production and record domestic consumption. ABARE projects wheat exports at 9.8 MMT in 2002/03. Post believes record levels of domestic consumption will constrain exports to below this level.

Imports

Post projects wheat imports for MY 2002/03 at 350 TMT, of which about 100 TMT has already arrived in the country. Post forecasts wheat imports for MY 2003/04 to fall to 150 TMT. Post anticipates that wheat imports will cease with the arrival of the 2003/04 crop around December 2003.

Current quarantine policy requires that grain can only be imported into Australia from certain regions of the world and must be treated ("denatured" and steam pelletized) upon arrival if it is to be transported inland. This policy significantly adds to the cost of importing grain and may actually reduce the feed value. Record prices received for grain during the 2002/03 season have made it viable to import some quantities of feed grain, mostly

UK feed wheat and some U.S. corn (48,000 MT). Industry sources indicate that about 500 TMT of wheat is expected to be imported until new-crop wheat begins to become available in December 2003. Some of the imported wheat could actually be destined for flour milling. This is the first significant imports of grain since 1994/95, when approximately 500,000 of feed grain was imported in response to a drought-reduced grain crop.

Policy

The export of bulk wheat from Australia is regulated under the "Wheat Marketing Act" which essentially creates an export monopoly for AWB Ltd. (formerly the Australian Wheat Board), and its subsidiary AWB International (I). This monopoly is referred to as the "single desk". Recently, there has been much debate on the future of single desk trading in Australia, with some industry leaders questioning the benefit it provides growers. The powers of AWB Ltd. are monitored by the Wheat Export Authority (WEA), which is also responsible for approving the export of bagged and containerized wheat not usually exported by AWB Ltd.

AWB Ltd. is one of the world's largest wheat management and marketing companies. Although it is now publicly listed, the company remains controlled by growers with no government underwriting and no government representation on the board. However AWB Ltd has been criticized internationally for differentiating prices between export destination and practicing predatory pricing. It has also been criticized locally for imposing unnecessarily high operating costs on growers.

The Grain Growers Association (GGA) is a grower-owned organization which claims to represent 13,500 growers in southeastern Australia and claims to pursue broad-based efficiencies on behalf of its members. The GGA purports to be in favor of the single desk but appears to remain critical of the way in which it is used. This organization is not to be confused with the Grains Council of Australia (GCA) which is the peak council representing state agri-political organizations at the national level, and supports AWB Ltd. and the single desk in its current form.

A key asset for GGA is the controlling interest in Graincorp, one of Australia's largest grain storage, handling and marketing organisations (formerly the NSW state grain handling and storage authority). Graincorp has been successfully merged with Vicgrain, a similar organization operating in Victoria, and in more recent times has reportedly started merger talks with Grainco, a similar organization based in Queensland. If successful this could result in a complete merger of all state based grain handlers on the eastern seaboard of Australia.

In April 2002, CGA contracted the consulting firm "Accenture" to conduct a review of the grains industry with a view to examining ways of maximizing returns to wheat growers. Accenture claims in the report to have consulted with groups across all sectors such as grower and industry organizations, marketers, bulk handlers, government, traders, service providers, customers and end users. The specific terms of reference were to: establish whether or not the current wheat marketing arrangements are delivering maximum benefit to wheat growers; and explore alternatives to the current arrangements.

The Accenture report found that: "high costs to growers are being caused by barriers to competition and efficiency in the supply chain, grower services and the operation of the single desk". It also found that the structures and roles of AWB Ltd. and its subsidiary AWB (I) are leading to conflicts of interest, which in turn threatens growers interests.

The GGA has made submission to the WEA requesting the examination of certain grower benefit issues and report to the government minister responsible. The GGA has also requested the WEA to recommend to government a raft of regulatory changes which it says would increase returns to growers. The key recommendations can be viewed on the GGA website at www.graingrowers.com.au

Under the current legislation, the WEA is required to review AWB Ltd. and its use of the single desk to maximize returns to growers by the end of 2004. Post does not believe that this report significantly threatens the continuation of single desk marketing of wheat in Australia. However, recent media coverage and public debate have raised the possibility that the current role of the single desk and its use by AWB Ltd. could be significantly changed, allowing for increased competition in providing some of the services that AWB Ltd. currently offers. Furthermore, industry sources have suggested that AWB Ltd. may be successfully challenged for the rights to the single desk sometime in the future, as happened in NSW, with the state vesting rights for coarse grains transferred to Grainco, the Queensland state grain handling company. Post does not see this challenge as a likely outcome, but believes that it is possible at some time in the not too distant future.

Barley

Area

Barley area for 2003/04 is forecast to increase to 3.5 million hectares, 12 percent higher than the estimate of 2002/03, but under the level achieved in 2001/02. An anticipated return to more normal weather conditions, record high prices in the lead up to planting and an anticipated decline in livestock numbers is expected boost area in 2003/04.

Planted area for 2002/03 is estimated at 3.1 million hectares, 17 percent below the previous year. This figures is in-line with ABARE's February 2003 Crop Report. Drier than average conditions during the crucial planting period reduced barley area despite historically high prices and lower livestock numbers.

Post estimates barley area for 2001/02 at a record 3.7 million hectares. This estimate is in-line with the latest ABS release; ABARE has also revised its figures, which are now in-line with the ABS. Historically high prices and reduced livestock numbers increased area to record levels.

Production

Post forecasts production for 2003/04 to increase 90 percent to 6.6 MMT. An anticipated return to more normal weather conditions is expected to increase average yield to 1.91 MT/ha, or a level more representative of the longer term average and in-line with ABARE's five year average.

Post estimates barley production for 2002/03 at 3.5 MMT, less than half the level achieved in the previous year. Widespread drought conditions throughout CY 2002 constrained planted area and significantly reduced yields. ABARE estimates production at 3.268 MMT according to their February 2003 Crop Report. Post considers this figure to be too low.

Post estimates barley production for 2001/02 at 8.4 MMT, in-line with the latest ABS release; ABARE also recently (February 2003) revised its 2001/02 barley production figure upwards and is now in-line with the estimate of ABS.

ABARE's long term projections of barley production show production remaining at historically high levels of between 6.3 and 6.4 MMT out until 2007/08.

Consumption

Post forecasts domestic barley consumption in 2003/04 to rise slightly to 3.2 MMT, as increased production will lead to increased domestic availability. Feed usage will be partially constrained by falling numbers of cattle on feed toward the latter half of CY 2003, with an anticipated return to more normal weather conditions and the subsequent improvement of pasture conditions and fodder reserves.

Post estimates barley consumption for 2002/03 at just over 3.1 MMT, slightly above the previous year. Historically high levels of consumption (due to higher numbers of cattle on feed) and greatly reduced production greatly diminished barley ending stocks for 2002/03. Barley feed use in 2002/03 is estimated at a relatively high 2.2 MMT. For 2002/03, barley for seed use is projected at about 150 TMT, malt and other human use at 700-800 TMT, and about 525 TMT of barley for malt, that is subsequently exported.

Post believes that higher prices received for privately traded grain in 2002/03, compared to export grain delivered into the pool system, diverted grain away from export to domestic consumption. For this reason, Post has 2002/03 domestic consumption higher than that of ABARE. Conversely, Post has closing stocks falling dramatically in 2002/03, while ABARE projects substantially higher ending stocks.

ABARE's most recent estimates place barley consumption at 3.1 MMT for 2001/02 and 2.6 MMT for 2002/03, including malt exports as grain equivalent. These figures imply only a minimal change in ending stocks from 2001/02 to 2002/03. Anecdotal evidence, however, suggests that inventories have been depleted in 2002/03, with high feedgrain demand and existing export commitments sharply drawing down barley stocks. This is supported by higher prices received for feed barley as opposed to premium barley delivered to a pool.

Stocks

Official information on barley stocks is unavailable. Figures reported by Post on beginning and ending stocks are a residual value, which Post believes trends in-line with actual stock levels.

Closing stocks for barley in 2001/02 have been revised upward to 1.7 MMT. Record high production together with higher than average levels of lower grade barley increased stocks to historically high levels. However, the severe drought in 2002/03 and higher than average domestic consumption are projected to greatly reduce closing stocks to 655 TMT. Post forecasts closing stocks of barley in 2003/04 to rebound to 1.6 MMT, more representative of the long term average.

Trade

Post forecasts barley exports for local MY 2003/04 at 2.5 MMT, a 63 percent rise on the previous year. An expected return to normal weather conditions is expected to increase production and therefore availability significantly. Domestic consumption is expected to increase only slightly allowing an increased amount of barley suitable for export.

Barley exports for MY 2002/03 are estimated at 1.4 MMT, down 68 percent from the 4.4 MMT exported in the previous year. Lower production and high domestic feed consumption, due to widespread drought conditions, dramatically reduced barley available for export.

ABARE's February 2003 Crop Report estimates barley exports for MY 2001/02 at 4.4 MMT, and projects exports declining sharply to 1.1 MMT in MY 2002/03 (excluding the grain equivalent of malt exports).

Barley exports in MY 2002/03 are projected to consist of about one half malting barley and one half feed barley. In addition, Australia will likely export the grain equivalent of about 525 TMT of malt. In MY 2001/02, barley exports totaled 4.398 MMT, of which 2.721 MMT was feed barley and 1.678 MMT was malting barley. Australia also exported about 600 TMT (grain equivalent) of malt in MY 2001/02.

Reliable official (ABS) trade figures are unavailable for barley. ABARE does publish local marketing year and July-June export figures.

Sorghum

Area

Sorghum area for 2004/05 is forecast to rise substantially to 800,000 hectares, 66 percent higher than the 2003/04 crop and a figure far more representative of the longer term average. This area projection assumes a return to more normal weather conditions and a slight fall in grain prices. However, if the 2003/04 winter crop progresses poorly, there would be added incentive to boost summer crop plantings and, thus, there would sorghum plantings could be even higher than expected.

Sorghum area for 2003/04 is estimated at 483,000 hectares, down sharply from the 852,000 hectares in 2002/03 and in-line with the ABARE figure. Severe drought in many summer cropping areas constrained sorghum planting to the lowest figure in a decade. A larger decline in area was constrained by record on-farm grain prices driven by solid demand from intensive livestock industries. Recent heavy rainfall in central Queensland has encouraged renewed, late-season sorghum plantings, which have partially offset abandoned crops in southern Queensland and northern NSW. New sorghum plantings have also been encouraged by high grain prices and the fact that many producers are committed to deliver sorghum by contract and wish to avoid "washing-out" such contracts.

Recent investigations have revealed that many of Australia's grain growers are adopting significant improvements in soil moisture management and planting techniques. Furthermore, in many irrigated areas, crops with high water requirements, such as cotton, are being switched to crops with less water demand, such as sorghum and maize. High grain prices have improved gross margins with lower water availability taken into consideration. Post estimates that a higher proportion of the 2003/04 sorghum crop is being grown under irrigation (as opposed to dryland), as producers switched to more water efficient crops, constraining a larger decline in yield, which is usually associated with drought conditions.

Production

Sorghum production for 2004/05 is forecast to increase to 2.0 MMT, in-line with ABARE's out-year forecast and more representative of the longer term average. Post assumes a return to more normal weather conditions leading up to the planting of this crop, which will commence in October/November 2003.

Sorghum production for 2003/04 is estimated at 1.0 MMT, less than half the level achieved the previous year. Severe drought conditions in many summer cropping areas is expected to reduce yields in 2003/04 to well below the five year average. The 1.0 MMT estimate is above ABARE's current projection of less than 0.8 MMT. Recent rains in major sorghum producing areas and traders' estimates of the crop suggest that the ABARE projection is too low. Furthermore, anecdotal evidence suggests that many growers switched away from crops requiring more water such as cotton and rice, to more water efficient crops such as sorghum and corn in anticipation of water shortages, increasing the proportion of sorghum grown under irrigation.

Consumption

Australia has exported a declining quantity of grain sorghum as an increasing proportion has been consumed domestically by intensive feeding industries. The area dedicated to sorghum has traditionally been driven by domestic grain prices and soil moisture levels at time of planting.

Sorghum consumption is estimated to have fallen to 1.0 MMT in 2002/03, 51 percent below the 1.7 MMT consumed the previous year. Sorghum consumption in 2003/04 is forecast to rise to 1.3 MMT, driven by increased production and historically high feedgrain demand.

Stocks

No official data is available for sorghum stocks. Post believes that carry-over stocks of sorghum are typically minimal. Sorghum ending stocks for 2003/04 are estimated at 35 TMT, reflecting sharply reduced availability expected from the 2003/04 crop and are forecast to rise to 104 TMT in 2004/05, a figure reflecting an improved sorghum crop and more representative of the longer term average.

Trade

Post projects sorghum exports in MY 2003/04 to drop to only 60 TMT, due to sharply reduced production and solid domestic demand. Exports are forecast at 502 TMT in MY 2004/05, higher than the 426 TMT exported in 2002/03.

Rice

Area

Rice area in 2004/05 is forecast to rise to 125,000 hectares, assuming a return to more normal weather conditions and a subsequent increase in water available for irrigation. This figure is more reflective of the longer term average for rice, but is still substantially below a five year average of about 154,000 hectares.

Rice area in 2003/04 is estimated to have fallen to 46,000 hectares, less than one third the 150,000 hectares of the previous year. These figures are in-line with ABARE's most recent estimates. Sharp reductions in irrigation water availability reduced 2003/04 rice area to the lowest level since 1972/73, according to ABARE's historical data. High feed grain prices and sharply constrained irrigation water availability resulted in some switching to feedgrain crops such as sorghum and maize.

Production

Rough rice production in 2004/05 is forecast at 1,101 TMT, 175 percent above the depressed level of the 2003/04 crop. This production figure is still well under the five year average of about 1,370 TMT. The 2004/05 production forecast is based on an expected return to average weather conditions. Even if rainfall was to return to normal, however, there will be no such immediate return to more average water allocations for rice producers. Furthermore, competition for water from other uses with more attractive gross margins will not necessarily see land area automatically switched back to rice production.

Rough rice production in 2003/04 is estimated to have fallen to 400 TMT, the lowest level since 1975/76. This is slightly higher than ABARE's figure of 370 TMT. Reduced irrigation water allocations, which resulted in an historically low area, was the principal factors behind this drop in production.

Consumption

Anecdotal evidence suggests that rice consumption remains relatively flat. Post projects 2003/04 domestic rice consumption at 360 TMT and remaining at this level for 2004/05.

Stocks

Official data on rice stocks are unavailable. Post projects 2003/04 ending stocks to fall to 151 TMT, substantially lower than the 474 TMT for the previous year and reflecting the poor 2003/04 rice harvest. Ending stocks for 2004/05 are forecast to rise to 260 TMT. Post anticipates rice stocks will not immediately return more normal levels as the sharply lower 2003/04 crop has significantly drained closing stocks for the medium term.

Trade

Exports: Post projects milled rice exports in local MY 2003/04 to drop to 301 TMT, 46 percent below the 558 TMT exported in the previous year. Post forecasts exports to increase to 378 TMT in MY 2004/05. This figure is below a longer term average, as production will still be partly constrained and domestic availability will be partially used to rebuild stocks.

Imports: Traditionally, Australia imports relatively small quantities of specialty rice, with imports generally unresponsive to the relative level of domestic production. Sharply lower domestic availability is expected to result in MY 2004/05 imports of 60 TMT, up from the 52 TMT imported in MY 2003/04.